

ETF Selections & Timing

Watercourse Way Holdings, LLC

P.O. Box 830396

Richardson, TX 75083-0396

972-680-2366

InvestmentST.com

February 10, 2014 (data date through previous Friday close)

Volume 5

Issue 6

Two Buy Type Signals

The World Growth Model is on a sell signal currently at 2/5/14. This is the first one in more than a year. The last sell signal was 11/12/12 followed by the buy signal on 12/10/12.

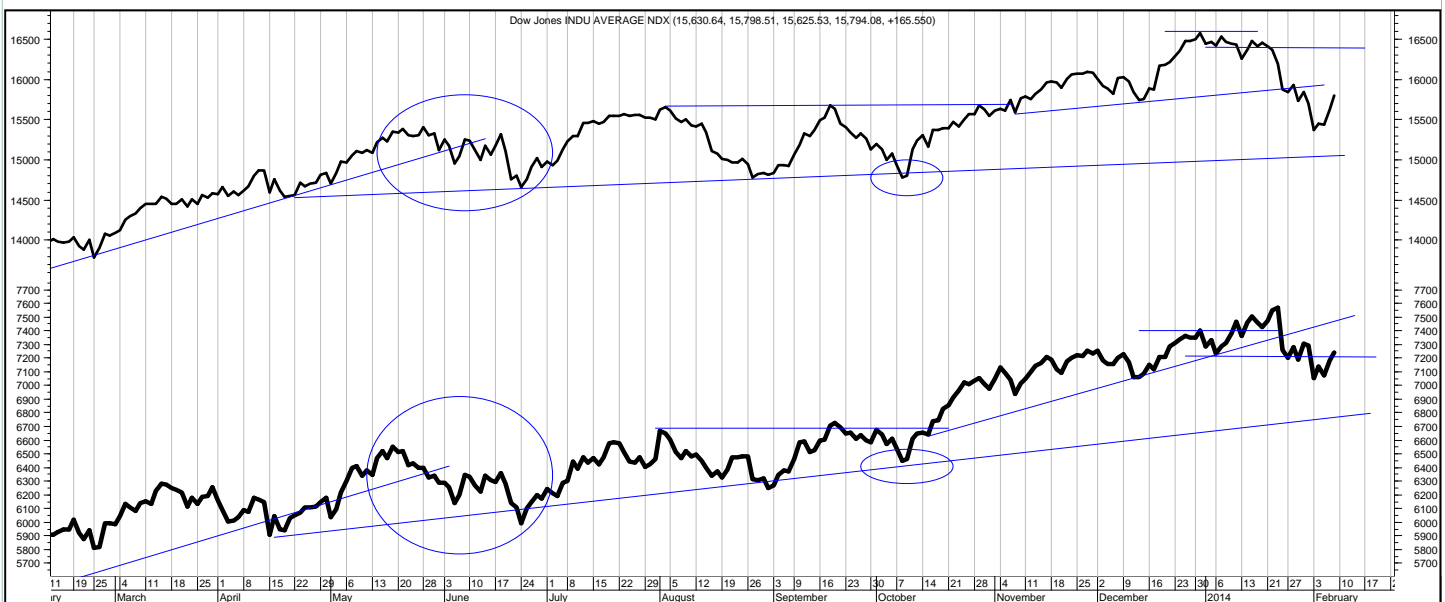
I've been talking about the sell triggers the last couple of

weeks. I was watching the stop loss (10% from the high) and it narrowed to 3% on the recent selloff, but the timing model gave a sell signal before the stop itself was triggered. Those are the two potential sell signals.

With it on a sell, it would now be appropriate to talk about

the potential buy triggers. Like the sells, there are two different buy triggers. One is the general trends of the underlying ETFs (EEM, EFA, IWM, QQQ, SPY); it would need to turn from down to up. Two the market becomes

(Continued on bottom right on page 12 see REVIEW on top)



This is the daily chart of the Dow Industrials (upper) and Dow Transports (lower)

SCOREBOARD (returns year to date and past weeks to date)

Model	YTD	52-week	26-week	13-week	4-week	1-week
ETF Income Portfolio	0.0%	1.5%	1.2	-0.2	-0.6	0.0%
ETF Growth Portfolio	-1.0%	16.5%	7.8	0.3	-2.6	-1.3%
Index						
Aggrgt Bond (AGG)	1.1%	-0.3%	1.4	1.2	1.0	-0.2%
S&P 500 TR (SPY)	-2.2%	20.9%	7.3	2.0	-2.3	0.9%
World Growth Index	-2.8%	18.6%	7.5	1.7	-2.7	0.3%

CONTENTS

Pages 2-5	Income
Page 4	Bond Model
Pages 6-11	Growth
Page 12-13	Overflow
Page 14	Disclaimers

Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 2/7/2014								
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss as of 1/27	Description	Start Price	End Price	# of Shares	Current Value	Percent of Total	
4-Dec	sell	AGG	106.68	537	57,277								0.0%	
9-Dec	buy	AGG	106.76	537	57,340									
9-Dec	buy	PCY	26.86	2,120	56,953									
these two will move the portfolio to fully invested														
26-Dec	sell	AGG	106.39	537	57,121	JNK	40.20		40.57	40.55	286.4	11,614.33	10.1%	
27-Jan	buy	JNK	40.57	285	11,572								0.0%	
this will be about 10% of portfolio														
31-Jan	sell	PCY	26.78	2,138	57,249									
										Money Market	1.00	103,473	103,473.00	89.9%
												Total Valuation=	115,087.33	100.0%

WEEKLY REVIEW

2/10 No changes.

2/3 PCY stopped out. JNK may be next. Bond market getting a bit bifurcated or trifurcated.

1/27 PCY getting close to its stop level. Buy JNK as noted above.

1/20 No changes.

1/13 No changes.

1/6 No portfolio changes.

12/30 Stopped out of AGG last week. Will stand aside for now (half in and half out).

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Income Portfolio	4.8%	3.6	4.8	1.1	0.0	15.1
Aggregate Bond	6.4%	7.7	3.9	-2.2	1.1	17.8

This shows the total returns of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

ETF Income Database and Ranking to 8/30/13 (pending change)

<i>Fund Name</i>	<i>Symbol</i>	<i>Style</i>	<i>12m</i>	<i>9m</i>	<i>6m</i>	<i>3m</i>	<i>1m</i>	<i>V</i>	<i>NAV</i>	<i>Rank</i>
iShares 1-3yr Trsry	SHY	BS	0.03	0.03	-0.07	-0.03	-0.10	0.08	84.28	*****
Vngrd ShrtTrm Bond	BSV	BS	-0.19	-0.45	-0.60	-0.38	-0.27	0.23	79.96	*****
iShares 3-7yr Trsry	IEI	BI	-2.51	-2.67	-2.49	-1.82	-0.77	0.51	119.88	****
iShares Agg Bond	AGG	BI	-2.85	-3.32	-3.05	-2.12	-0.83	0.61	106.01	****
iShares Inter Bond	MBB	BI	-3.09	-2.81	-2.91	-1.77	-0.67	0.43	104.17	****
iShares Inter Gov	GVI	BI	-1.51	-2.04	-1.92	-1.35	-0.64	0.46	109.11	****
Wtree Dryfs Chns Yuan	CYB	BF	4.62	2.26	2.23	0.54	0.42	0.42	26.16	****
Currency Euro	FXE	BF	4.69	1.36	1.04	1.60	-0.68	1.85	130.84	***
iShares 10-20yr Trsry	TLH	BL	-8.69	-8.69	-6.33	-4.80	-0.97	1.55	123.42	**
iShares 7-10yr Trsry	IEF	BI	-6.40	-6.61	-5.56	-4.27	-1.42	1.08	100.26	**
iShares High Yld	HYG	BH	5.38	2.88	0.18	-0.17	-1.27	1.56	90.87	**
iShares Intrntl Tbond	IGOV	BW	-1.59	-3.73	-1.85	-0.50	-0.73	1.54	97.93	**
iShares Long Corp Bond	LQD	BL	-2.90	-4.84	-4.30	-3.17	-1.00	1.39	112.68	**
iShares Trsry Inflt	TIP	BI	-7.29	-8.84	-7.78	-4.71	-1.83	1.18	110.64	**
PS 1-30 Ldr Trsry	PLW	BI	-8.64	-8.31	-5.99	-4.31	-0.96	1.45	29.88	**
PS Bld America	BAB	BI	-5.98	-7.40	-8.54	-7.83	-1.41	1.59	27.14	**
PS DB Dollar Bearish	UDN	BF	-1.27	-2.51	0.04	1.65	-0.49	1.29	26.42	**
PS DB Dollar Bullish	UUP	BF	-0.49	1.23	-0.80	-1.86	0.41	1.28	22.19	**
PS DB G10 Currency	DBV	BF	-0.76	-4.00	-7.09	-6.64	-2.44	1.72	24.75	**
PS Fdmntl Hi Yield Corp	PHB	BH	3.25	1.31	-0.10	-0.99	-0.88	1.23	18.71	**
PS Insr CA Muni	PWZ	BI	-6.48	-9.21	-8.53	-7.65	-2.25	1.29	22.72	**
PS Insr NY Muni	PZT	BI	-9.02	-11.54	-10.28	-8.91	-2.61	1.51	21.68	**
PS Prfd	PGX	BF	-0.95	-2.38	-4.30	-4.81	-1.65	1.18	13.68	**
SPDR High Yield	JNK	BH	5.27	2.46	0.00	-0.75	-1.03	1.56	39.46	**
SPDR Intrntl TBond	BWX	BW	-4.13	-5.75	-2.63	-0.53	-1.15	1.48	56.79	**
Vngrd Intrmdt Bond	BND	BI	-2.94	-3.28	-2.96	-2.12	-0.86	0.62	79.99	**
Wtree Dryfs Comdty Cur	CCX	BF	-6.19	-7.08	-8.09	-3.79	-2.15	1.55	19.55	**
Wtree Dryfs Emrg Crrncy	CEW	BF	-3.44	-5.57	-6.78	-3.77	-2.82	1.44	19.65	**
iShares 20+ yr Trsry	TLT	BL	-14.79	-13.35	-9.34	-6.72	-1.34	2.46	105.71	**
PS Emrg Mrkt Svrgn Debt	PCY	BW	-8.80	-13.37	-11.06	-7.86	-3.36	2.67	26.24	**
PS Insr Natl Muni	PZA	BI	-8.56	-11.75	-10.49	-9.01	-1.56	1.56	22.52	**
Wtree Dryfs Brazil Real	BZF	BF	-10.67	-7.36	-15.28	-9.16	-3.29	2.37	16.75	**
Wtree Emrg Mrkt Lcl Debt	ELD	BF	-7.81	-11.12	-12.85	-8.94	-4.35	2.09	45.45	**
Wtree Dryfs Indn Rupee	ICN	BF	-11.22	-13.71	-15.13	-13.34	-5.23	2.58	18.12	*

This is the ETF Income Database and Ranking. It shows performance over the last 12, 9, 6, 3, and 1 months through the previous month's end. V is Volatility. NAV is price. CS is Comet Strength (not shown). C is Comet (not shown), which is an ETF's risk-adjusted performance; the higher the better. V, CS, and C are proprietary tools. Rank column shows the number of comets.

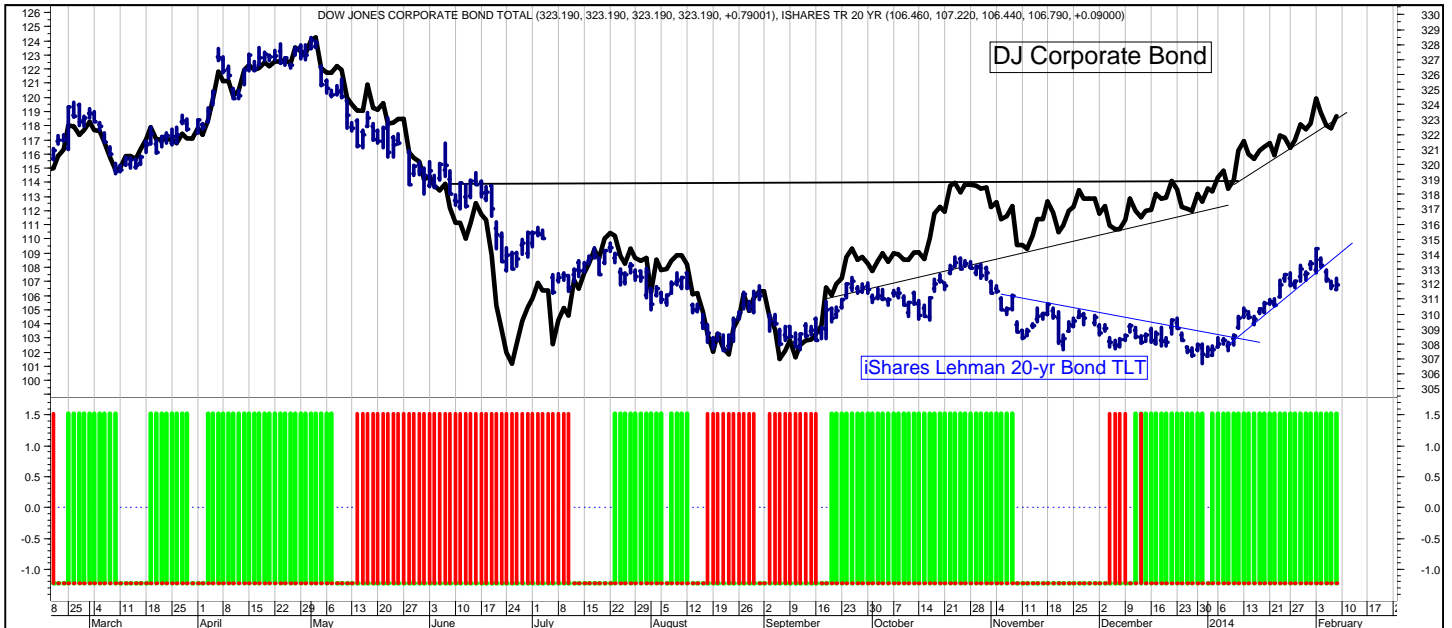
ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

Column headings: The first column shows the ETF name, the second column shows its symbol. The third column shows the ETF Style. The first letter is always either B (Bond) or E (Equity) or H (Hybrid). The next letter(s) is the style. So, BS-bond short, BI-bond intermediate, BL-bond long, BF-flexible, BW-world, BH-high yield. And for Equity, EA-equity aggressive, EC-equity contrary, EG-equity gold (precious metals), ESC-small cap, EMC-mid cap, ELC-large cap, EW-world, EGI-growth/income, ERE-real estate, EV-value.

Columns 4-8 show percentage returns for the periods shown (12 months, 9, 6, 3, and 1 month). Column 9 is V (volatility); a measure of risk; the lower the V, the less risk. Column 10 is the NAV. Column 11 is the C (comet) ranking. C is the risk-adjusted (V) relative performance (CS). The higher the C indicates the most return for the amount of risk taken.

Generally, our ETF strategy is to own the top ranked ETFs (shown in green) and avoid or short the lower ranked ETFs (shown in red).

SLM Bond Timing Model



The SLM Bond Timing Model is based on the expected direction of the Corporate Bond market. The green bars are bullish (expect higher prices and lower yields) and the red bars are bearish (expect lower prices and higher yields). White spaces indicate that the previous signal is still in effect.

WEEKLY REVIEW

2/10 The bond market has broke its uptrend from what could be a valid breakout zone. This is drawn on the chart above by the last trend lines. Will watch for subsequent action and economic news to decide whether to buy on the pullback or continue to stand aside.

2/3 The corporate and Treasury bond markets are doing better than foreign and junk. Unfortunately, don't own any. I was expecting more weakness, rather than strength.

1/27 No changes.

1/20 No changes.

1/13 Bond prices look like they've broken to the upside (lower rates). If we get a pullback, I expect to reenter.

1/6 Corporates rallied back to resistance. As you can see on the chart above, the "spring" is tightening. Which way will it go? Best estimate is downward for prices and up for yields.

12/30 Corporate bonds fell back from their attempted "break out" last week. Remain cautious.

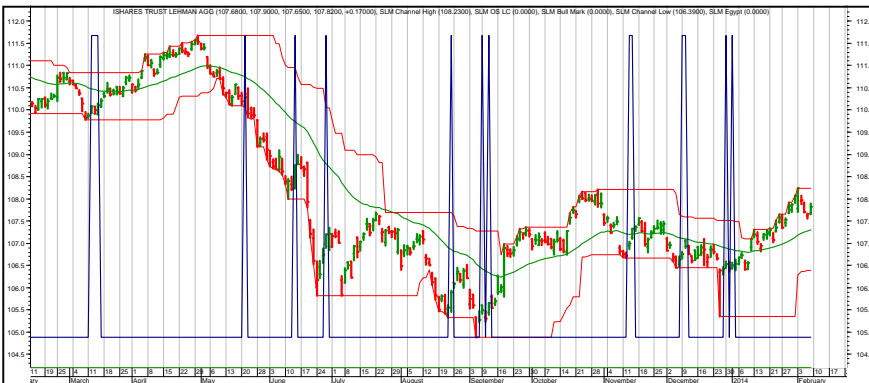
12/23 Bonds rallied on the taper news. I will maintain close stops however.

Income Charts (DAILY)



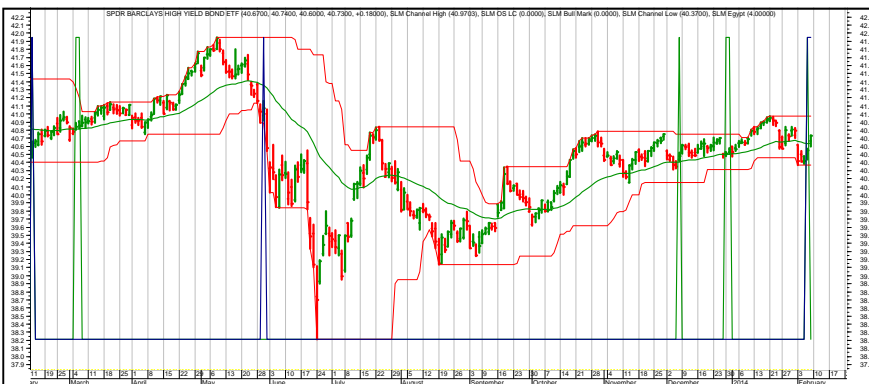
LQD—Investment Grade Corporate

2/10 No changes.
 2/3 No changes.
 1/27 Watching for a pullback.
 1/20 No changes.
 1/13 No changes.
 1/6 No changes.



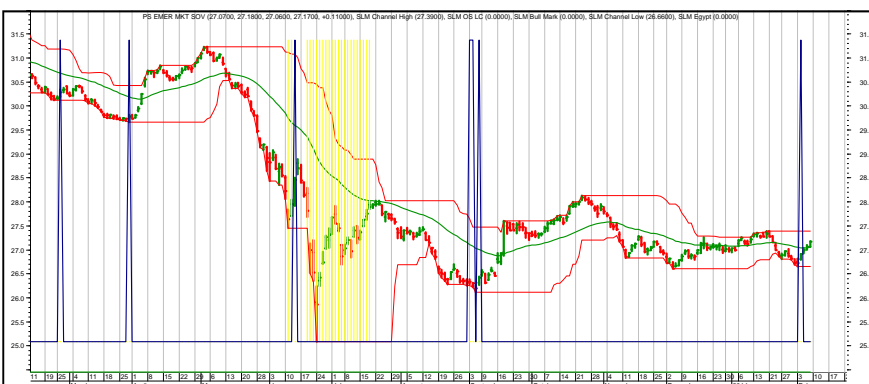
AGG—Aggregate Bond Market

2/10 No changes.
 2/3 No changes.
 1/27 Watching for a pullback.
 1/20 No changes.
 1/13 No changes.
 1/6 No changes.



JNK—hi-yield bonds

2/10 No changes.
 2/3 No changes.
 1/27 Will nibble on JNK on its pullback.
 1/20 Junk (hi-yield) bonds may be in a sweet spot with a stronger economy, if rates don't spear higher, but only drift higher over the years.



PCY—International Bonds

2/10 The last blue spike is the 'buy' from last week's comment. I am standing aside, however.
 2/3 Watch for PCY to go below December lows and then possible reversal.
 1/27 Watch the stop level.
 1/20 Still expecting more rally.
 1/13 No changes.
 1/6 Still long. International Central Banks are still easing.

Each chart shows daily (or weekly if noted in page title at top) prices, a moving average (smoothed green line on price portion), and blue or green spikes. The spikes show potential buy signals. The red lines are price channels. The charts do not show sell signals.

Growth Portfolio (changed as of 12/10/12, 9/23/13)

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 2/7/2014								
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
21-Jan	sell	PBD	12.87	620	7,969	World Growth								
21-Jan	buy	GULF	21.33	381	8,137	EEM		Emrg Mrkt				-	0.0%	
buy will be about 5.5% of total portfolio						EFA		Euro Asia				-	0.0%	
						IWM		Rusl 2000				-	0.0%	
3-Feb	sell	TAN	37.50	233	8,742	QQQ		Nsdq 100				-	0.0%	
3-Feb	buy	PPA	30.14	255	7,696	SPY		S&P 500				-	0.0%	
buy will be about 5.5% of total portfolio						C-lect 5								
5-Feb	sell	EEM	37.76	180.98	6,824								-	0.0%
5-Feb	sell	EFA	63.11	117.21	7,387								-	0.0%
5-Feb	sell	IWM	108.71	71.34	7,745								-	0.0%
5-Feb	sell	QQQ	84.75	96.68	8,184								-	0.0%
5-Feb	sell	SPY	175.24	45.13	7,899								-	0.0%
5-Feb	sell	DFE	57.62	145.49	8,373								-	0.0%
5-Feb	sell	PSCH	53.18	140.00	7,435	Two potential ways to sell: stop loss about 6% lower or timing model signals sell								
5-Feb	sell	GULF	21.43	381.00	8,155	Two potential ways to buy: "lower-risk window" may open or timing model signals buy.								
5-Feb	sell	PJP	53.31	142.00	7,560									
5-Feb	sell	PPA	30.36	255.00	7,732	C-lect Short								
						(under construction)								
						Cash from short				1.00	-	-	-	0.0%
						Money Market				1.00	140,644	140,644.00	140,644.00	100.0%
						Total Valuation=						140,644.00	140,644.00	100.0%

WEEKLY REVIEW

2/10 The portfolio is in cash, but see page 7 for the new C-lect 5 recommendation to buy/sell. Currently the C-lect 5 timing is based on the World Growth Model timing. It is on a sell, so we are fully in cash. I may do some further testing to see if direct timing on the C-lect 5 model may provide more timely entry and exit points in order to boost profits.

2/3 C-lect 5 has a new buy/sell as noted above. Stop loss on portfolio has narrowed further to 6%. The timing model itself, however, is much closer to a sell signal. If one is triggered between issues, we will send an emailed hotline. You should have received an email from us last Wednesday. If you didn't, send me an email at SMcKee@InvestmentST.com to update yours. The "window to buy" is open if you are inclined to add to positions or start your investing. I am standing pat for now.

1/27 No changes. Stop loss narrowing to 6.5%. The "window to buy" is still closed, though getting close to opening. The combination of these two things presents a lower risk opportunity to buy (loss to the stop is narrower and upside is greater).

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	-1.0	40.6
World Growth Index	17.2%	-4.1	15.1	30.5	-2.8	64.1

The ETF Growth Portfolio changed as of 12/10/12 and again 9/23/13. It is following the new World Growth Model (WGM), which uses the same 5 etfs (EEM, EFA, IWM, QQQ, SPY) as the World Growth Index (WGI). The difference between the two is WGM uses timing and WGI is always fully invested and WGI is rebalanced to 20% in each position daily (this accounts for the different returns when WGM is invested and held). Based on the successful back testing strategy, C-lect 5 was added to the portfolio. Returns are of previous years (to last Friday in year), year to date (ytd) (from last Friday in previous year), and from inception (incptn). It also shows standard deviation (SD). The green highlight (2013, 2014) is to highlight the aforementioned changes.

ETF Rankings by C to previous week's end

<i>Fund Name</i>	<i>Symbol</i>	<i>Style</i>	<i>C</i>
Wtree Middle East Div	GULF	EW	14.76
PS Dynmc Pharma	PJP	EA	11.15
Wtree Eur SC Div	DFE	EW	10.13
PS Aerospace & Def	PPA	EA	8.02
PS Lux Nanotech	PXN	EA	7.96
PS QQQ	QQQ	ELC	6.87
PS Dynmc Healthcare	PTH	EA	6.53
PS S&P SmICap Hlth Care	PSCH	EA	6.27
PS Dyn OTC	PWO	ESC	6.20
Vngrd Tech	VGT	EA	6.13
Vngrd Health	VHT	EA	6.03
Select SPDR Indl	XLI	EA	5.95
PS Dynmc Biotech	PBE	EA	5.82
PS Dynmc Software	PSJ	EA	5.55
Select SPDR Health	XLV	EA	5.45
PS Dynmc Lrg Cap Grth	PWB	ELC	5.42
PS NASDAQ Intrnt	PNQI	EA	5.30
PS Dynmc Media	PBS	EA	5.28
PS S&P SmICap Industrils	PSCI	EA	5.18
PS Dyn Mrkt	PWC	ELC	5.10
SPDR S&P Regional Banking	KRE	EA	4.85
Select SPDR Technlgy	XLK	EA	4.83
PS Gbl Clean Enrgy	PBD	EW	4.61
iShares Germany Indx	EWG	EW	4.54
US Natural Gas	UNG	EA	4.53
Guggnhm Shipping	SEA	EA	4.52
PS Fincl Pfd	PGF	EGI	4.49
PS Dynmc Fncl	PFI	EA	4.45
PS S&P SmICap Cnsmr Dis	PSCD	EA	4.39
iShares Spain	EW P	EW	4.14
Guggnhm Solar	TAN	EA	3.98
Guggnhm Spin Off	CSD	EMC	3.85
iShares Prfrd	PFF	EGI	3.77
iShares DJ US Home Constr.	ITB	EA	3.69
PS Dynmc Bldg Cnstrctn	PKB	EA	3.62
PS Water Resources	PHO	EA	3.62
PS Gbl Listd Prvt Eqty	PSP	EW	3.56
Guggnhm RJ All	RYJ	ELC	3.55
iShares Russell 1000 Grwth Indx	IWF	ELC	3.52
PS Cleantech	PZD	EA	3.51
PS Gbl Water	PIO	EW	3.50
Vngrd Grth	VUG	ELC	3.40
PS S&P SmICap Mtrls	PSCM	EA	3.39
Select SPDR Cnsmr Disc	XLY	EA	3.22
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	3.16
SPDR S&P Metals & Mining	XME	EA	3.15
iShares Italy Indx	EW I	EW	2.95
PS Dynmc Semicondctr	PSI	EA	2.90
Vngrd Cnsmr Dis	VCR	EA	2.89
PS Zacks Micro Cap	PZI	ESC	2.81

This page and the next three show the equity ETF database rankings from high to low based on C. C is Comet, which is the risk-adjusted relative performance; the higher the C ranking, the better. Comets, not stars, because comets come into and out of prominence over time. We want the metaphor to match reality.

The first column shows the name. The second column shows the symbol. The third column shows the style; it begins with E for Equity and then the style (A is aggressive, W is world, WR is world regional, SC is small cap, MC is mid cap, LC is large cap, GI is growth/income, V is value). The fourth column shows the C level.

ETF Rankings by C to previous week's end

Guggnhm Gbl Wtr	CGW	EW	2.80
Wtree S&P 500	EPS	ELC	2.68
SPDR S&P Bank	KBE	EA	2.63
Wtree MidCap Earn	EZM	EMC	2.63
PS S&P SmICap Info Tech	PSCT	EA	2.60
Vngrd Small Cap Value	VBR	ESC	2.60
PS Dynmc Basic Matrl	PYZ	EA	2.56
PS Dynmc Networking	PXQ	EA	2.54
Vngrd Extnd 4500	VXF	ELC	2.38
Guggnhm Insdrr Sent	NFO	EMC	2.32
Wtree Ttl Earn	EXT	ELC	2.18
iShares Core S&P 500	IVV	ELC	2.10
PS Dynmc Utilities	PUI	EA	2.08
Vngrd Materials	VAW	EA	2.08
Vngrd TTL Stock	VTI	ELC	2.06
SPDR S&P 500	SPY	ELC	2.06
Vngrd Large Cap	VV	ELC	2.03
PS Buyback Achievers	PKW	EGI	2.00
Select SPDR Matrls	XLB	EA	1.88
Vngrd Small Cap	VB	ESC	1.88
Vngrd Small Cap Grth	VBK	ESC	1.87
PS DWA Tech Ldr	PDP	ELC	1.84
PS Dyn MagniQuant	PIQ	ELC	1.84
PS Dynmc Energy Explor	PXE	EA	1.80
Alerian MLP	AMPLP	EGI	1.72
iShares S&P 100 Indx	OEF	ELC	1.71
Select SPDR FinancIs	XLF	EA	1.68
iShares Russell 2000	IWM	ESC	1.63
Vngrd MidCap Val	VO	EMC	1.62
PS WilderHill Prgsv Enrgy	PUW	EA	1.58
Guggnhm China Sml	HAO	EWR	1.58
SPDR S&P Homebuilders	XHB	EA	1.55
Market Vectors Semiconductor	SMH	EA	1.50
PS Dynmc Energy	PXI	EA	1.50
Wtree Intrntl SC Div	DLS	EW	1.47
PS FTSE RAFI US 1500 Sml-Mid	PRFZ	EMC	1.45
iShares EMU Indx	EZU	EW	1.45
SPDR DJ Industrials	DIA	ELC	1.44
PS S&P SmICap Utilities	PSCU	EA	1.41
PS Dynmc Technology	PTF	EA	1.39
PS Dynmc Lrg Cap Value	PWV	ELC	1.26
iShares Russel MidVal	IWS	EMC	1.23
PS S&P 500 BuyWrite	PBP	ELC	1.18
SPDR Euro Stoxx 50	FEZ	EW	1.16
iShares Core S&P Mid Cap	IJH	EMC	1.14
iShares Russell 2000 Value Indx	IWN	ESC	1.13
Vngrd Fincl Srv	VFH	EA	1.11
SPDR Mid Cap Trust	MDY	EMC	1.06
Wtree Sml Cap Div	DES	ESC	1.01
PS BLDR Europe 100 ADR	ADRU	EW	0.98
iShares Russell 1000 Value Indx	IWD	ELC	0.95
iShares Telecomm	IYZ	EA	0.93
Vngrd European Indx	VGK	EW	0.86
PS DB Agriculture	DBA	EA	0.81
iShares DJ Slct Div	DVY	EGI	0.80

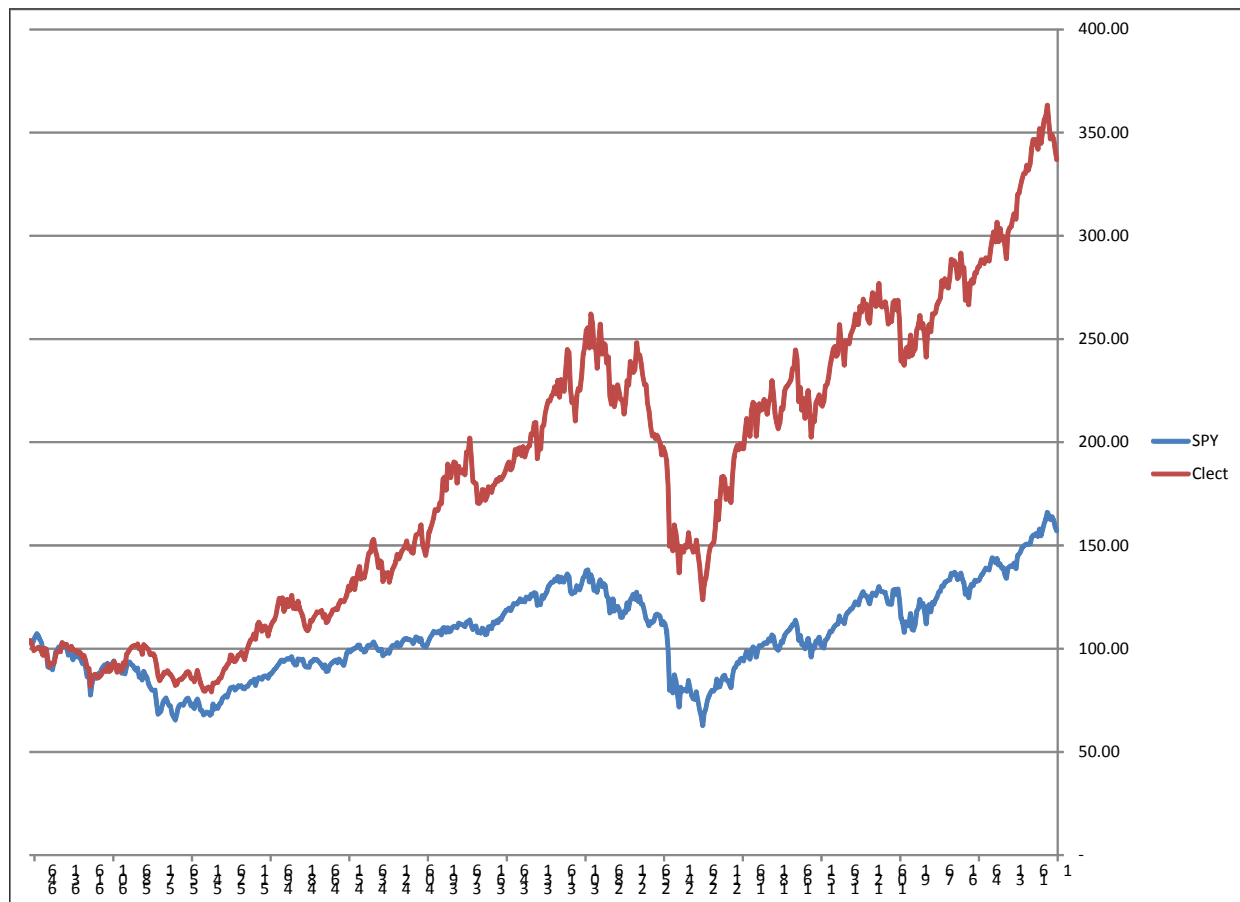
ETF Rankings by C to previous week's end

PS S&P SmICap Fincl	PSCF	EA	0.80
PS Dynmc Leisure & Enter	PEJ	EA	0.80
Vngrd Utilities	VPU	EA	0.69
Guggnhm MidCap Core	CZA	EMC	0.67
PS WilderHill Cln Enrgy	PBW	EA	0.67
iShares Europe 350	IEV	EW	0.64
PS Hi Yld Eqty Div	PEY	EGI	0.58
Guggnhm Timber	CUT	EA	0.56
Wtree MidCap Div	DON	EMC	0.55
Wtree Japan Hedge Eqty	DXJ	EC	0.51
Select SPDR Utilities	XLU	EA	0.45
Wtree LrgCap Div	DLN	ELC	0.44
Vngrd Div Apprctn	VIG	EGI	0.38
Wtree India	EPI	EW R	0.34
SPDR S&P Retail	XRT	EA	0.33
Wtree Div Ex Fincl	DTN	ELC	0.33
Wtree Intrntl Div Ex Fincl	DOO	EW	0.32
Select SPDR Cnsmr Stpl	XLP	EA	0.23
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	0.20
Select SPDR Div	SDY	EGI	0.19
Vngrd Consmr Stpls	VDC	EA	0.16
Wtree DEFA Eqty Incm	DTH	EW	0.13
SPDR DJ Gbl Titans	DGT	EW	0.12
iShares Slct Div	IDV	ELC	0.11
Wtree Intrntl MC Div	DIM	EW	0.06
PS BLDR Dvlpd Mrkt 100 ADR	ADRD	EW	-0.02
PS S&P SmICap Cnsmr Stpl	PSCC	EA	-0.05
Guggnhm Multi Ast In	CVY	EV	-0.06
Wtree Eqty Income	DHS	EGI	-0.10
Guggnhm Intrntl A Incm	HGI	EW	-0.12
PS Dividend Achievers	PFM	EGI	-0.13
Wtree DEFA	DWM	EW	-0.19
PS Gldn Drgn USX China	PGJ	EW	-0.19
PS S&P 500 Low Volatility Portfolio	SPLV	ELC	-0.24
Wtree Intrntl LC Div	DOL	EW	-0.25
PS Intrntl Dvdnd	PID	EW	-0.43
iShares EAFE Indx	EFA	EW	-0.46
Vngrd Europe Pacific	VEA	EW	-0.51
PS Dynmc Consmr Staples	PSL	EA	-0.55
iShares REIT	IYR	ERE	-0.56
PS Gbl Agriculture	PAGG	EA	-0.57
Guggnhm Dfnsv Eqty	DEF	EV	-0.61
PS FTSE RAFI Dvlp Mrkt xUSA SmI	PDN	EW	-0.62
Vngrd TTL Intrntl Stk	VXUS	EW	-0.73
iShares Canada	EW C	EW	-0.74
Select SPDR Enrgy	XLE	EA	-0.80
Wtree Gbl Eqty Incm	DEW	EW	-0.81
PS India	PIN	EW	-0.83
Vngrd REIT	VNQ	ERE	-0.87
Guggnhm Gbl Div	LVL	EW	-1.02
PS DB Energy	DBE	EA	-1.05
PS Dynmc Retail	PMR	EA	-1.07
PS Dynmc Consmr Discr	PEZ	EA	-1.08
PS Dynmc Oil & Gas Srvcs	PXJ	EA	-1.10
Market Vectors Oil Services	OIH	EA	-1.11

ETF Rankings by C to previous week's end

Guggnhm China All	YAO	EWR	-1.13
Wtree Japan SC Div	DFJ	EWR	-1.21
Guggnhm Candn Enrg Incm	ENY	EWR	-1.28
PS DB Commodity	DBC	EA	-1.29
PS Dynmc Food & Bev	PBJ	EA	-1.30
SPDR Wlsh REIT	RWR	ERE	-1.30
iShares Cohen&Str REIT	ICF	ERE	-1.31
PS US REIT	PSR	ERE	-1.32
PS DB Oil	DBO	EA	-1.33
Wtree Intrntl Utilities	DBU	EW	-1.42
iShares Taiwan Indx	EW T	EW	-1.60
iShares Japan	EW J	EW	-1.65
iShares Pacific ex Jpn	EPP	EW	-1.65
PS S&P SmICap Energy	PSCE	EA	-1.65
Pro Shares Short S&P 500	SH	EC	-1.68
iShares Hong Kong Indx	EW H	EW	-1.75
Wtree World Ex US Grth	DNL	EW	-1.81
PS DB Base Metals	DBB	EG	-1.82
iShares South Korea Indx	EW Y	EW	-1.83
iShares Malaysia Indx	EW M	EW	-1.92
iShares Mexico	EW W	EW	-1.96
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	-1.97
PS FTSE RAFI Asia Pac xJpn	PAF	EW	-2.06
Guggnhm Frntr	FRN	EW	-2.10
iShares Australia	EW A	EW	-2.26
PS BLDR Asia 50 ADR	ADRA	EW	-2.31
iShares Singapore	EW S	EW	-2.42
Market Vectors Russia	RSX	EW	-2.45
PS Emrg Mrkt Infrastrctr	PXR	EW	-2.53
PS FTSE RAFI Emrg Mrkt	PXH	EW	-2.77
Wtree Intrntl REIT	DRW	ERE	-2.78
Vngrd Emrg Mrkt	VWO	EW	-2.94
Pro Shares Short Russell 2000	RWM	ESC	-3.00
iShares Emrg Mrkt Stk	EEM	EW	-3.04
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	-3.07
Wtree Emrg Mrkt SC Div	DGS	EW	-3.22
Guggnhm BRIC	EEB	EW	-3.23
Wtree Emrg Mrkt Eincm	DEM	EW	-3.69
iShares China	FXI	EW	-4.06
US Oil Fund	USO	EA	-4.09
iShares Gold	IAU	EG	-4.24
SPDR Gold	GLD	EG	-4.28
PS DWA Emrg Mrkt T Ldrs	PIE	EW	-4.34
PS DB Gold	DGL	EG	-4.73
Guggnhm China REIT	TAO	EWR	-4.87
iShares Latin Amr	ILF	EW	-4.92
PS DB Precious Metals	DBP	EG	-5.39
iShares Brazil Indx	EW Z	EW	-7.32
iShares Silver	SLV	EG	-8.36
PS DB Silver	DBS	EG	-9.46
PS Gbl Gold Precious Mtls	PSAU	EG	-12.18
Market Vectors Gold Minors	GDX	EG	-15.61
iPath S&P 500 VIX Shrt Trm	VXX	EC	-28.61
Market Vectors Junior Gold Miners	GDXJ	EG	-31.88

C-lect 5 Backtesting Chart w/out timing (reiteration)



The chart shows the result from evolving through the top 5 ETFs out of a constant basket of 214 ETFs. No timing was employed.

As you can see, the idea of staying with the risk-adjusted relative performance leaders works over time. \$100,000 of a buy/hold of SPY grew to about \$160,000, while a C-lect 5 portfolio grew from \$100,000 to nearly \$350,000.

Overflow from Page 1, Definitions, and Newsletter Updates

(Continued from page 1) **REVIEW**
oversold.

At this juncture, one of the five indicators is oversold, but it requires all of them to be oversold. It doesn't appear this will happen, barring another very sharp quick selloff of another 5% or more from current levels.

The trends are more likely to turn back higher. If this happens, a new buy signal would be triggered.

At the same time if that buy signal is triggered, the background remains bearish. The background is made of the other points I've mentioned the last couple months. They are investor sentiment (too bullish), market

valuations (too expensive, market alternatives (rising interest rates), and market technicals (negative divergences).

The issue where the background is bearish, but the trend is up is overbought indicators can get even more overbought. They signal bearish, but they might get more bearish. The last clear example of this was to the blowoff in 2000. The market was overbought, overvalued, over bullish, which all suggested get out and stand aside, but the trend remained strong up nonetheless.

My work tries to account for all of those things.

One potential problem with that interaction between trends

and background, however, is whipsaws. This is where we might get a buy signal one day and a sell signal the next day. We simply have to be prepared mentally for that. There is no right or wrong, buy only trying to be invested when the market is advancing and out in cash when the market is declining.

So, right now the Model is bearish. We're in cash and will wait for the next buy signal.

See the portfolios for more information.

Just to clarify a couple of terms that I use regularly.

Short-term is days to weeks.

Intermediate-term is weeks to months.

Long-term is months to years.

Cyclical is 1-5 years.

Secular is 5 years to decades.

Bull market is a series of higher highs and higher lows.

Bear market is a series of lower lows and lower highs.

Neutral market is sideways without a discernible pattern.

Oddly, bull and bear markets may occur simultaneously, but only over different time periods. For example, we may be in a secular bear market, but there are cyclical bull and bear markets within that.

Closing stops are "mental". I look at the position at quarter to the close. If it is trading below the stop (or above if short), then I act with the assumption the security will trigger that closing stop on that day. I sell (or cover) at the close that day.

Portfolio stops for the World Growth Model are internally maintained; they are based on the World Growth Index, not the individual ETFs. Stops will be emailed when close or if triggered.

2/10 No changes.

2/3 Made an ETF database change. Deleted a low volume ETF and added a larger volume ETF.

1/27 Work continues on that combined timing model (trends and contraries). See comment/letter 12/2.

1/21 No changes.

1/13 No updates.

1/6 No changes.

12/30 Happy New Year.

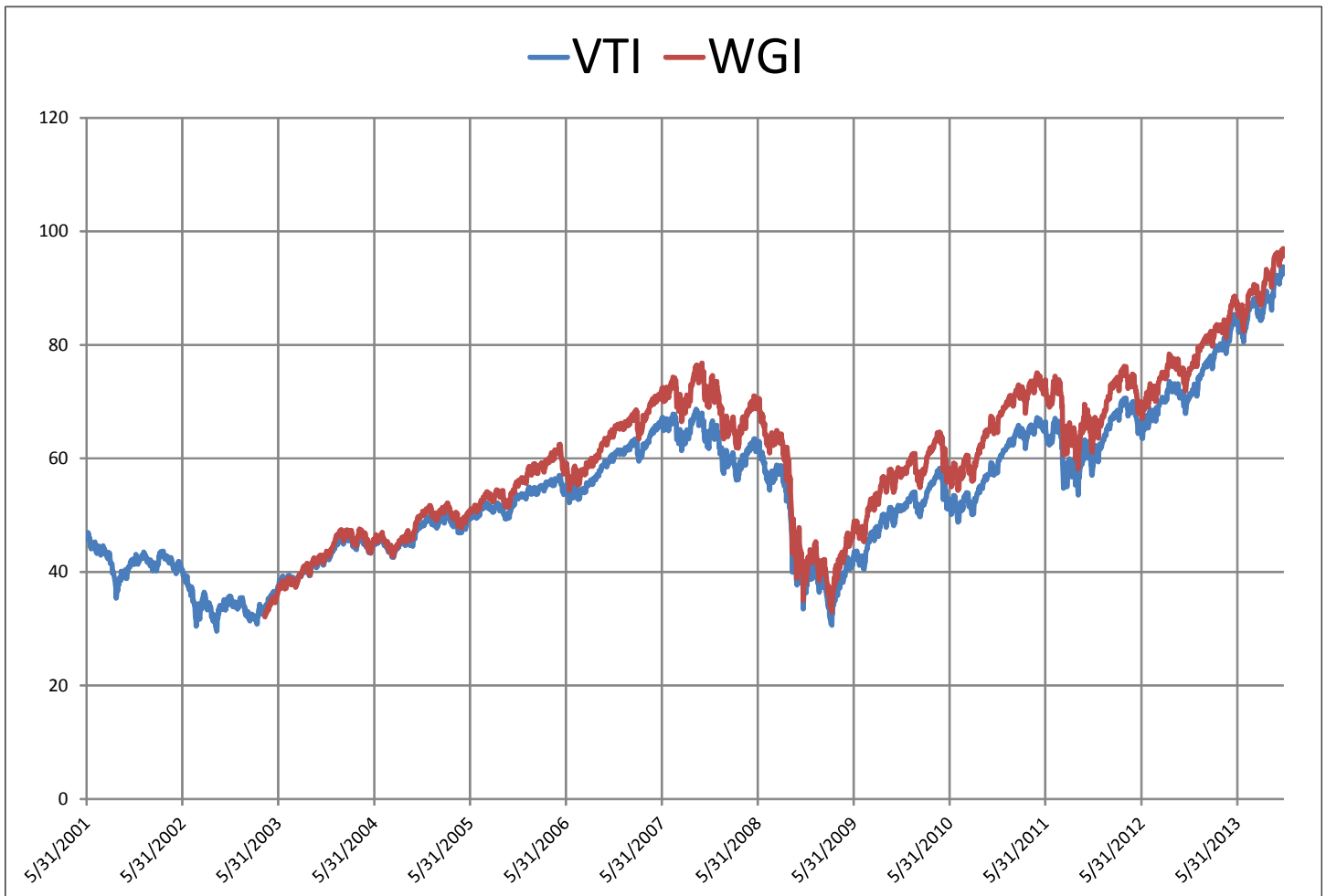
12/23 Correction to 10/21 comment [changed to WGI]. No other changes.

12/16 No changes.

12/9 No changes.

12/2 As mentioned on page 11 (on 12/2), a top test timing model is being constructed. This would be more timely than a trend-following approach.

VTI and World Growth Index (reiteration)



The chart shows VTI and WGI from 5/1/2003 to the present. VTI is the Vanguard Total Stock Market ETF. It has less than 2% in non-domestic stocks. It is designed to mimic the US market. WGI is the World Growth Index that is made up of 20% each in EEM, EFA, IWM, QQQ, SPY.

As you can see, the two series track each other fairly closely, but because of the international component the WGI has periods of outperformance. The two are recently back in a neck and neck race because the domestic market is currently stronger than the international markets.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 6)

Our guiding goal is to provide the most return with the least risk consistently over time through bull and bear markets.

Income Portfolio, page 2: Uses a proprietary selection methodology on all of the monitored bond-oriented ETFs to pick the top ETFs. I then use a proprietary timing model to decide whether to buy, sell, hold, or avoid. From time to time, timing considerations may take precedence over selections; in other words, we may own lower ranked funds because of anticipated timing changes.

Growth Portfolio, page 6: As of 12/10/12, it is based on the World Growth Index (WGI), which is made up of a static fully invested 20% in each of five ETFs (EEM, EFA, IWM, QQQ, SPY). The Portfolio will buy and sell the WGI based on proprietary timing signals. On 9/23/13, the new C-lect 5 is also part of this portfolio. It too uses timing.

Both portfolios were started on 1/1/10 with \$100,000. As mentioned, the Growth Portfolio strategy was changed on 12/10/12 to the World Growth Model and again on 9/23/13 to incorporate the C-lect 5 model.

Portfolio changes will usually be made at the close on Monday, unless otherwise noted in any emailed hotline update or triggered stop orders. Issues are normally posted on Mondays by 1:35pm cst (Tuesday if Monday is a holiday, defined as market closed).

Portfolios are updated through the Friday close the week before.

Dividends are reinvested in additional shares.

Commissions of \$10 per trade are applied. Interest is currently zero for the money market (cash) position.

SUBSCRIPTIONS: To receive *ETF Selections & Timing*, you may subscribe in one of three ways. You may subscribe on the web site InvestmentST.com using PayPal or call 1-800-800-6563 for Amex, Visa, MasterCard, or Discover orders or send a check to the address on the front page. Subscriptions may be tax deductible.

The recurring monthly subscription is \$24.00. An annual subscription is \$240.00. Subscribers receive this weekly eNewsletter. There is no mailed issue. Subscribers retrieve the current weekly issue at the web site InvestmentST.com by logging in with a user name and password. There may also be emailed Hotline reports sent between issues.

Unless otherwise noted, the weekly eNewsletter is posted by 1:35 PM central time each Monday, except for holidays (closed stock market) and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day at the Monday (or Tuesday) close in each portfolio. We may also use stop orders. For stops, check the ETF at quarter to the close. If it is below (or above) a stop level, assume it will close there and act on that. Portfolio data will be updated through the previous Friday's close. Fund symbols, rather than names, are the official identification used for activity.

GUARANTEE: Subscriptions may be cancelled at any time. Annual subscriptions are refundable for the weekly term remaining with a four-week minimum charge, using a 52-week count. Monthly subscriptions just expire.

PUBLISHER: Watercourse Way Holdings, LLC publishes this newsletter.

REPRINTS: This eNewsletter is intended for subscribers only, reprints are not permitted.

DISCLAIMER: The information contained herein is assembled from sources who are believed reliable, but the accuracy of data or advice cannot be guaranteed. Past performance does not guarantee future performance. Portfolio values include a commission of \$10/trade, dividend reinvestment for additional shares, and short-term redemption charges. The World Growth Index and World Income Index are equity and bond indexes and may or may not be useful in comparing returns. Security values fluctuate. Information is provided without consideration for a subscriber's personal situation. Watercourse Way Holdings, LLC its members and associates may or may not invest identically to or at the same time as portfolios or activity shown herein.

COPYRIGHT: Copyright, 2009-14, Watercourse Way Holdings, LLC. All rights reserved.